

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE)
MR. JUSTICE PENNY)

TUESDAY, THE 18TH
DAY OF SEPTEMBER, 2018

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C.
1985, C. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
KRAUS BRANDS INC., KRAUS CANADA LTD., KRAUS CARPET INC.,
KRAUS PROPERTIES INC., KRAUS USA INC., and STRUDEX INC.**

Applicants



**APPROVAL AND VESTING ORDER
(PURCHASE AGREEMENT)**

THIS MOTION, made by the Applicants and the Partnerships listed in Schedule "A" hereto (collectively, the "**Kraus Group**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**"), for an order approving the sale transactions ("**Transactions**") contemplated by an asset purchase agreement dated as of September 10, 2018 ("**Purchase Agreement**") between Kraus Canada LP, Kraus Properties LP, Kraus USA Inc. and Kraus Carpet LP (collectively, the "**Vendors**" and each, a "**Vendor**") and Q.E.P. Co., Inc. and Roberts Company Canada Ltd. (together, the "**Purchasers**" and each, a "**Purchaser**") and appended to the affidavit of Christopher Emmott sworn September 10, 2018 ("**Emmott Affidavit**"), and as contemplated by a purchase and sale agreement between Kraus USA Inc. and Q.E.P. Co., Inc. in respect of the sale of real property situated at 2216 Abutment Road, Dalton, Georgia ("**Land Purchase Agreement**"), including all Property as defined in the Land Purchase Agreement ("**Real Property**" and, collectively with the Purchased Assets

under the Purchase Agreement, the "**Purchased Assets**") and vesting in the Purchasers all of the Vendors' right, title and interest in and to the Purchased Assets free and clear of any claims and encumbrances, except certain Permitted Encumbrances (as defined in the Purchase Agreement), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING, the notice of motion dated September 11, 2018, the Emmott Affidavit, the supplementary affidavit of Christopher Emmott sworn September 17, 2018, the pre-filing report ("**Pre-Filing Report**") of Deloitte Restructuring Inc., in its capacity as the Court-appointed monitor ("**Monitor**") of the Kraus Group, the First Report of the Monitor dated September 17, 2018, and on hearing the submissions of counsel for the Kraus Group, and counsel for the Monitor, and no one appearing for any other person on the service list, although properly served as appears from the affidavit of service, filed:

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion, the Motion Record and the Pre-Filing Report is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS AND DECLARES** that the Purchase Agreement, the Land Purchase Agreement, the Transactions and all associated steps and transactions effected thereby are hereby approved, and the execution of the Purchase Agreement and the Land Purchase Agreement by the Vendors is hereby authorized and approved, with such minor amendments as the Vendors and Purchasers may deem necessary and mutually agree upon. The Vendors are hereby authorized and directed to complete the Transactions and to take such additional steps and execute such additional documents and instruments as may be necessary or desirable for the completion of the Transactions.
3. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Monitor's certificate to the Purchasers substantially in the form attached as Schedule "B" hereto ("**Monitor's Certificate**"), all of the Vendors' right, title and interest in and to the Purchased Assets described in the Purchase Agreement and the Land Purchase

Agreement and listed on Schedule "C" hereto shall vest absolutely in the Purchasers, free and clear of and from any and all right, title, interest, benefits, priorities, security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the initial order of the Honourable Justice Penny dated September 11, 2018 ("**Initial Order**") or other orders in this CCAA proceeding; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; (iii) any liens, security interests or interests perfected through filing financing statements or other documents with the Secretary of State for the State of Delaware or any other registry or filing office in a state of the United States; (iv) any mortgage, deed of trust, lien, security interest, fixture filing or other interest perfected through filing with the Clerk of the Superior Court of Whitfield County, Georgia or any other registry of deeds, court clerk or filing authority of any county, municipality or state of the United States and (v) those Claims listed on Schedule "D" hereto, (all of which are collectively referred to as the "**Encumbrances**", which term shall not include the permitted encumbrances, easements and restrictive covenants relating to the Real Property listed on Schedule "E") and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

4. **THIS COURT ORDERS** that upon the registration at the Clerk of the Superior Court for Whitfield County, Georgia of an Application for Vesting Order in the form prescribed by the *Land Titles Act* and/or the *Land Registration Reform Act* with respect to the Real Property situated at 2216 Abutment Road, Dalton, Georgia and further described in the Land Purchase Agreement, the Clerk is hereby directed to enter the Q.E.P. Co., Inc. (or such entity as Q.E.P. Co., Inc. may designate) as the owner of the Real Property in fee simple, and is hereby directed to delete and expunge from title to the Real Property all of the Claims listed in Schedule "D" hereto.

5. **THIS COURT ORDERS** that in the event that the Monitor does not deliver the Monitor's Certificate confirming that the conditions to closing set out in the Purchase Agreement have been satisfied or waived by the Vendors and the Purchasers by October 31, 2018, which date may be extended without further court order by mutual consent of the Purchasers and the Vendors, the Transactions will be deemed terminated with immediate effect and this Approval and Vesting Order shall be of no further force and effect.

6. **THIS COURT ORDERS** that in addition to the powers of the Monitor under the Initial Order and the CCAA, the Monitor is authorized to act as escrow agent in respect of the Holdbacks under the Purchase Agreement and is directed to administer the Holdbacks and any escrow accounts in respect thereof in accordance with the escrow agreement attached as Schedule "F" hereto ("**Escrow Agreement**"), which Escrow Agreement may not be varied or amended except by mutual consent of the Vendors and the Purchasers.

7. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets ("**Net Proceeds**") shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Monitor's Certificate all Claims and Encumbrances shall attach to the Net Proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

8. **THIS COURT ORDERS AND DIRECTS** the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof.

9. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Vendors and the Monitor are authorized and permitted to disclose and transfer to the Purchasers all human resources and payroll information in the Company's records pertaining to the Debtor's past and current employees pertaining to the Purchased Assets. The Purchasers shall

maintain and protect the privacy of such information and shall be entitled to use the personal information provided to them in a manner which is in all material respects identical to the prior use of such information by the Vendors.

10. **THIS COURT ORDERS** that, notwithstanding:

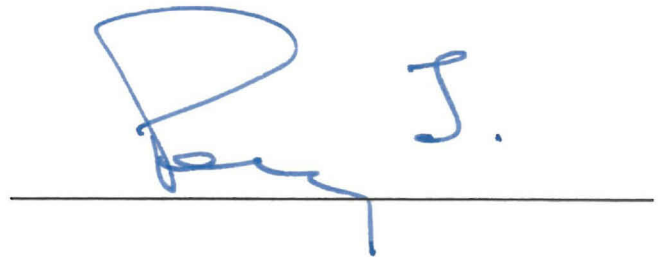
- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of one or more of the Kraus Group and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made by one or more of the Kraus Group;

the entering into of the Purchase Agreement and the Land Purchase Agreement and the vesting of the Purchased Assets in the Purchasers pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Kraus Group and shall not be void or voidable by creditors of the Kraus Group, nor shall they constitute nor be deemed to be fraudulent preferences, assignments, fraudulent conveyances, transfers at undervalue, or other reviewable transactions whether under the CCAA, the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation or otherwise, nor shall they constitute oppressive or unfairly prejudicial conduct, whether pursuant to any applicable federal or provincial legislation or otherwise.

11. **THIS COURT ORDERS** that the Monitor, Vendors and Purchasers may each apply to this Court from time to time for advice and direction with respect to any matter arising from or under this Order.

12. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Kraus Group, the Monitor and their respective agents in consummating the Transactions set forth in the Purchase Agreement, and otherwise in carrying out the terms of this Order. All courts, tribunals,

regulatory and administrative bodies are hereby respectfully requested to make such orders, to grant such relief, and to provide such assistance to the Kraus Group and the Monitor, as an officer of this Court, as may be necessary or desirable to consummate the Transactions set forth in the Purchase Agreement or to otherwise give effect to this Order or to assist and facilitate the Kraus Group, the Monitor and each of their respective agents in consummating the Transactions set forth in the Purchase Agreement or otherwise in carrying out the terms of this Order.



ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

SEP 18 2018

PER / PAR: *RW*

SCHEDULE "A"

Partnerships

Kraus Brands LP

Kraus Canada LP

Kraus Carpet LP

Kraus Properties LP

Strudex LP

SCHEDULE "B"

Form of Monitor's Certificate

Court File No.: CV-18-604756-00CL

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Applicants

MONITOR'S CERTIFICATE

RECITALS

- A. Pursuant to an Order of the Honourable Justice Penny of the Ontario Superior Court of Justice ("**Court**") dated September 11, 2018 ("**Initial Order**"), Deloitte Restructuring Inc. was appointed as the monitor ("**Monitor**") of the Applicants and the Partnerships listed on Schedule "A" to the Initial Order (collectively, the "**Kraus Group**").
- B. Pursuant to an Order of the Court dated September 18, 2018 ("**Approval and Vesting Order**"), the Court approved the asset purchase agreement made as of September 10, 2018 ("**Purchase Agreement**") between Kraus Canada LP, Kraus Properties LP, Kraus USA Inc. and Kraus Carpet LP ("**Vendors**") and Q.E.P. Co., Inc. and Roberts Company Canada Ltd. ("**Purchasers**") and the purchase and sale agreement between Kraus USA Inc. and Q.E.P. Co., Inc. in respect of the sale of real property situated at 2216 Abutment Road, Dalton, Georgia ("**Land Purchase Agreement**") and provided for the vesting in the Purchasers of the Vendor's right, title and interest in and to the Purchased Assets, which vesting is to be effective with

respect to the Purchased Assets upon the delivery by the Monitor to the Purchasers of a certificate confirming (i) the payment by the Purchasers of the Purchase Price for the Purchased Assets pursuant to the Purchase Agreement; (ii) that the conditions to Closing as set out in the Purchase Agreement have been satisfied or waived by the Vendors and the Purchasers; and (iii) the Transactions have been completed to the satisfaction of the Monitor.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Purchase Agreement or the Approval and Vesting Order.

THE MONITOR CERTIFIES the following:

1. The Purchasers have paid the Purchase Price for the Purchased Assets pursuant to the Purchase Agreement and the Land Purchase Agreement, subject to the Holdbacks under the Purchase Agreement and the Escrow Agreement;
2. The conditions to Closing as set out in the Purchase Agreement have been satisfied or waived by the Vendors and the Purchasers; and
3. The Transactions have been completed to the satisfaction of the Monitor.
4. This Certificate was delivered by the Monitor at _____ [TIME] on _____ [DATE].

**DELOITTE RESTRUCTURING INC., in its
capacity as Monitor of the Applicants,
and not in its personal capacity**

Per: _____

Name:

Title:

SCHEDULE "C"

Purchased Assets

All of Vendors' right, title and interest in and to the undertakings, properties and assets set forth below, being sold to the Purchasers pursuant to the Purchase Agreement and the Land Purchase Agreement (as defined in this Approval and Vesting Order) (collectively, the "**Purchased Assets**"):

- (a) all Accounts Receivable outstanding on the Closing Date that relate to the Business;
- (b) the Inventory;
- (c) all Assigned Contracts;
- (d) all IP Assets;
- (e) the Fixed Assets;
- (f) the Leased Real Property;
- (g) the Permits, including Environmental Permits, listed on Schedule 2.01(g) of the Purchase Agreement, but only to the extent that such Permits may be transferred under applicable Law;
- (h) all prepaid expenses, credits, advance payments, security, deposits, charges, sums and fees related to the Business;
- (i) all of the Vendors' rights under warranties, indemnities and all similar rights against third parties to the extent related to any other Purchased Assets;
- (j) the Books and Records;
- (k) the real property situated at 2216 Abutment Road, Dalton, Georgia, including all right, title and interest to the Property as defined in the Land Purchase Agreement; and
- (l) all goodwill associated with any of the assets described in the foregoing clauses.

All capitalized terms in clauses (a) through (j) have the meanings ascribed to them in the Purchase Agreement.

SCHEDULE "D"

Claims to be deleted and expunged from title to Real Property

1. Deed to Secure Debt and Assignment of Rents and Leases from Barrett Carpet Mills, Inc., a Georgia corporation, to Wells Fargo Capital Finance Corporation Canada, an Ontario corporation, dated August 6, 2013, filed for record August 14, 2013 at 1:23 p.m., recorded in Deed Book 5930, Page 225, Records of Whitfield County, Georgia.

2. UCC Financing Statement No. 155-2013-0443 having Barrett Carpet Mills, Inc., as Debtor, and Wells Fargo Capital Finance Corporation Canada, as Secured Party, filed for record April 12, 2013 at 10:32 a.m. in Whitfield County, Georgia, and entered in the Central Indexing System of Georgia; as continued by UCC Financing Statement Amendment No. 155-2018-0012 having Barrett Carpet Mills Inc., as Debtor, and Wells Fargo Bank, National Association, as Secured Party, filed for record January 4, 2018 at 2:44 p.m. in Whitfield County, Georgia, and entered in the Central Indexing System of Georgia; as further continued by UCC Financing Statement Amendment No. 155-2018-0390 having Barrett Carpet Mills, Inc., as Debtor, and Wells Fargo Capital Finance Corporation Canada, as Secured Party, filed for record March 22, 2018 at 9:53 a.m. in Whitfield County, Georgia, and entered in the Central Indexing System of Georgia.

SCHEDULE "E"

Permitted Encumbrances, Easements and Restrictive Covenants related to the Real Property

(unaffected by the Vesting Order)

1. All real estate taxes for the year 2018 and subsequent years and any additional real estate taxes due as a result of a reassessment or a rebilling of the Real Property.
2. Utilities Easement from Roy Barrett to Barrett Carpet Mills, Inc., dated February 19, 1981, filed for record February 19, 1981 at 2:00 p.m., recorded in Deed Book 663, Page 245, Records of Whitfield County, Georgia.
3. Party Walls Agreement between Roy Barrett and Barrett Carpet Mills, Inc., a Georgia corporation, dated February 19, 1981, filed for record February 19, 1981 at 2:00 p.m., recorded in Deed Book 663, Page 247, aforesaid Records.
4. Drainage rights contained in Right of Way Deed from Roy C. Barrett to Whitfield County, dated March 31, 1989, filed for record January 22, 1990 at 8:00 a.m., recorded in Deed Book 2110, Page 337, aforesaid Records.

SCHEDULE "F"

Escrow Agreement

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this "**Agreement**") is made this ____ day of _____, 2018

BETWEEN:

Kraus Canada LP, a limited partnership formed pursuant to the laws of the province of Ontario ("**Kraus Canada**")

- and -

Kraus Properties LP, a limited partnership formed pursuant to the laws of the province of Ontario ("**Kraus Properties**")

- and -

Kraus Carpet LP, a limited partnership formed pursuant to the laws of the province of Ontario ("**Kraus Carpet**")

- and -

Kraus USA Inc., a corporation incorporated pursuant to the laws of the state of Delaware ("**Kraus USA**" and collectively with Kraus Canada, Kraus Properties, and Kraus Carpet, the "**Vendors**" and each a "**Vendor**")

- and -

Q.E.P. Co., Inc., a corporation incorporated pursuant to the laws of Delaware ("**QEP USA**")

- and -

Roberts Company Canada Limited, a corporation amalgamated pursuant to the laws of Ontario ("**QEP Canada**", and together with QEP USA, the "**Purchasers**", and each, a "**Purchaser**")

- and -

Deloitte Restructuring Inc., in its capacity as court-appointed Monitor of the Kraus Group (as defined below) (the "**Escrow Agent**").

RECITALS:

- A. The Purchasers and the Vendors entered into an asset purchase agreement made effective September 10, 2018 (the "**Purchase Agreement**"), a copy of which is attached hereto as Schedule "A", pursuant to which the Vendors agreed to sell, and the Purchasers agreed to purchase, certain assets of the Vendors upon and subject to the terms and conditions described therein.
- B. Pursuant to the Order of the Honourable Mr. Justice Penny dated September 11, 2018, Deloitte Restructuring Inc. was appointed as Monitor (in such capacity, the "**Monitor**") of the business and affairs of Kraus Brands Inc., Kraus Canada Ltd., Kraus Carpet Inc., Kraus Properties Inc., Kraus USA, Strudex Inc., Kraus Brands LP, Kraus Canada, Kraus Carpet, Kraus Properties and Strudex LP (collectively, the "**Kraus Group**") with such appointment pursuant to the Companies' Creditors Arrangement Act, R.S.C.1985, C. C-36, as amended (the "**CCAA**") (the "**Initial Order**").
- C. The Purchasers wish to deposit the Holdback Amount (as defined in the Purchase Agreement) to be held and released by the Escrow Agent, together with any interest earned thereon, on the terms and subject to the conditions set forth herein.
- D. The Escrow Agent is willing to act as escrow agent for the sole purposes of dealing with the Holdback Amount in accordance with the terms and conditions hereof.

NOW THEREFORE, in consideration of the covenants and agreements set forth herein and in the Purchase Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto covenant and agree as follows:

ARTICLE 1 DEFINITIONS AND PRINCIPLES OF INTERPRETATION

1.1 Definitions

Capitalized terms used herein and which are defined in the Purchase Agreement shall, unless otherwise defined herein, have the meanings set out in the Purchase Agreement.

1.2 Certain Rules of Interpretation

In this Agreement:

- (a) **Consent** – Whenever a provision of this Agreement requires an approval or consent and such approval or consent is not delivered within the applicable time limit, then, unless otherwise specified, the party hereto whose consent or approval is required shall be conclusively deemed to have withheld its approval or consent.
- (b) **Currency** – Unless otherwise specified, all references to money amounts are to lawful currency of Canada.
- (c) **Agreement** – The terms "Agreement", "this Agreement", "the Agreement", "hereto", "hereof", "herein", "hereby", "hereunder" and similar expressions refer to this Agreement in its entirety (including, for greater certainty, the Schedules hereto) and not to any particular provision hereof.

- (d) **Governing Law** – This Agreement is a contract made under and shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario.
- (e) **Headings** – Headings of Articles and Sections are inserted for convenience of reference only and do not affect the construction or interpretation of this Agreement.
- (f) **Including** – Where the word "including" or "includes" is used in this Agreement, it means "including (or includes) without limitation".
- (g) **No Strict Construction** – The language used in this Agreement is the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party hereto.
- (h) **Number and Gender** – Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.
- (i) **Severability** – If, in any jurisdiction, any provision of this Agreement or its application to any party hereto or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other parties or circumstances.
- (j) **Statutory references** – A reference to a statute includes all regulations and rules made pursuant to such statute and, unless otherwise specified, the provisions of any statute, regulation or rule which amends, supplements or supersedes any such statute, regulation or rule.
- (k) **Time** – Time is of the essence in the performance of the respective obligations herein of the parties hereto.

1.3 Entire Agreement

This Agreement, the Purchase Agreement and the Transition Services Agreement constitute the entire agreement between the parties hereto and set out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the parties hereto in connection with the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, pre-contractual or otherwise. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, whether oral or written, pre-contractual or otherwise, express, implied or collateral, between the parties hereto in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and any document required to be delivered pursuant to this Agreement.

1.4 Schedules

The schedules to this Agreement, listed below, are an integral part of this Agreement:

Schedule "A" – Purchase Agreement
Schedule "B" – Wire Instructions
Schedule "C" – Escrow Agent Fees
Schedule "D" – Direction
Schedule "E" – Notice of Claim

ARTICLE 2 APPOINTMENT

2.1 Appointment of Escrow Agent

The Vendors and the Purchasers hereby appoint Deloitte Restructuring Inc., in its capacity as court-appointed Monitor of the Kraus Group, to act as Escrow Agent on the terms and conditions set forth in this Agreement. Deloitte Restructuring Inc., in its capacity as court-appointed Monitor of the Kraus Group, hereby accepts such appointment on such terms and conditions.

ARTICLE 3 HOLDBACK

3.1 Receipt of Holdback

The Escrow Agent hereby acknowledges receipt of the amount of \$3,250,000 (the "**Holdback Amount**"), to be held in escrow by the Escrow Agent pursuant to the terms hereof and the Purchase Agreement.

3.2 Investment of Holdback

- (a) Investment of Holdback. The Escrow Agent shall cause the Holdback Amount to be invested in short term investments, such as money market, Canadian guaranteed investment certificates, interest bearing bank accounts, or similar short term instruments with a Canadian chartered bank or as otherwise directed by the Vendors and the Purchasers at any time and from time to time pursuant to a written joint direction to the Escrow Agent, which joint direction shall provide such further particulars as are required by the Escrow Agent, acting reasonably. The interest earned on the investment of the Holdback Amount, if any, shall be held and reinvested from time to time in accordance with the foregoing provisions. The Escrow Agent makes no representation as to income, profit, yield or return available or to be earned on the Holdback Amount, or as to the certainty of return of principal of amounts invested in accordance with the terms hereof. The parties hereto entitled to the Holdback Amount or any part thereof in accordance with the provisions of the Purchase Agreement shall also be entitled to the interest earned on the Holdback Amount, or such part thereof, as the case may be, less the Tax Amount, if any.
- (b) Taxes. The Escrow Agent does not have any interest in any portion of the Holdback Amount, or interest thereon, deposited hereunder but is serving as escrow agent only and having only possession thereof. For all purposes hereunder, including for Canadian federal and provincial income tax purposes, all parties hereto agree that, if the Holdback Amount or any part thereof is not released in accordance with Section 3.3 prior to December 31, 2018, the Vendors shall be treated as the owners of the Holdback Amount (including any

portion thereof that is invested or reinvested under the terms of this Agreement) pro rata to their respective entitlement to the Purchase Price, and any interest on such Holdback, for income tax purposes, and will report all income, if any, that is earned on, or derived from, the Holdback Amount, as the income of the Vendors in the taxable year in which income is properly includable. The Vendors shall be solely responsible for paying taxes on all income earned on the Holdback Amount and for preparing and filing all necessary tax returns with respect to such income. The Vendors may, prior to the release of the Holdback Amount in accordance with Section 3.3, by written notice from time to time to the Escrow Agent with a copy to the Purchasers specify the amount (the "**Tax Amount**") of any taxes anticipated to be paid by the Vendors in respect of income earned on, or derived from, the Holdback Amount (without duplication to any taxes the Vendors previously gave notice of and received payment for hereunder), and the Escrow Agent shall by the end of the tenth (10th) Business Day after the receipt thereof pay to the Vendors, or as directed by the Vendors in writing, out of the Holdback Amount the Tax Amount specified in such notice. The Escrow Agent shall report to the Canada Revenue Agency and any other applicable tax authority as required by law based upon the information so provided. The Escrow Agent shall be entitled to rely on such information provided by the Vendors, and shall not be responsible for and shall be indemnified by the Vendors, for any additional tax, interest or penalty arising from the inaccuracy or late receipt of such information.

3.3 Release of Holdback

- (a) The Holdback Amount shall be released by the Escrow Agent upon the occurrence of any of the following events:
 - (i) If, as contemplated in Section 2.07(b)(i) of the Purchase Agreement, no payment is to be made from the Holdback in respect of the Post-Closing Adjustment, then the Vendors and the Purchasers shall provide a written direction (a "**Direction**" substantially in the form set forth in Schedule "D") to the Escrow Agent which Direction shall direct the Escrow Agent to disburse 50% of the Holdback Amount to the Vendors and the Escrow Agent shall disburse and deliver such portion of the Holdback Amount in accordance with such Direction;
 - (ii) if a portion of the Holdback Amount is to be applied as contemplated in Section 2.07(b)(ii) of the Purchase Agreement, then the Purchasers and the Vendors shall provide a Direction to the Escrow Agent, which Direction shall:
 - (A) identify the amount or amounts of such funds and wire instructions or other instructions for delivery of such funds to the Purchasers, and to the Vendors (which amount to the Vendors, when combined with the distribution to the Purchasers pursuant to this clause, shall not exceed 50% of the Holdback Amount), if applicable; and
 - (B) direct the Escrow Agent to disburse such portion of the Holdback Amount accordingly and the Escrow Agent shall disburse and

deliver such portion of the Holdback Amount in accordance with such Direction;

- (iii) if any payment, or any portion thereof, made pursuant to 3.3(a)(i) or 3.3(a)(ii) relates to the U.S. dollar portion of the Closing Net Working Capital Statement, the Direction delivered by the Vendors and Purchasers, in connection with such payment shall:
 - (A) specify the amount of such payment that relates to the U.S. dollar portion of the Closing Net Working Capital Statement and is to be paid in U.S. dollars; and
 - (B) instruct the Escrow Agent to convert such amount of the Holdback Amount to U.S. dollars that equals the U.S. dollar amount specified in 3.3(a)(iii)(A) based on the daily average exchange rate published by the Bank of Canada on the Closing Date pursuant to Section 2.07(b)(iii) of the Purchase Agreement;
- (iv) any dispute with respect to the payments to be made in accordance with Sections 3.3(a)(i) and 3.3(a)(ii) hereof shall be dealt with in the manner specified in Section 2.07(c) of the Purchase Agreement, and provided the terms of such provision have been complied with, neither the Vendors nor the Purchasers shall have a right of objection in respect of the payments to be made in accordance with Sections 3.3(a)(i) and 3.3(a)(ii);
- (v) if the Holdback Amount, in whole or in part, is to be released as contemplated in Section 10.09 of the Purchase Agreement, then, by the end of the Escrow Termination Date (as defined below), and subject to the terms of the Purchase Agreement, including Article 10 of the Purchase Agreement, the Purchasers may give written notice (a "**Notice of Claim**" substantially in the form set forth in Schedule "E") to the Escrow Agent (with a copy delivered to the Vendors) of any Third-Party Claim or Direct Claim (each, a "**Claim**") pursuant to Section 10.06 of the Purchase Agreement which shall specify:
 - (A) the factual basis of such Claim, including whether such Claim is a Third-Party Claim or Direct Claim;
 - (B) provide copies of all material written evidence thereof; and,
 - (C) indicate the dollar amount of such Claim, or if the total losses arising in connection with such Notice of Claim cannot readily be determined by the Purchasers, the Purchasers' reasonable estimate of the maximum potential losses resulting from such claim for indemnification.
- (vi) in the event of the delivery of a Notice of Claim by the Purchasers pursuant to Section 3.3(a)(v):

- (A) The Vendors shall have until the end of the twentieth (20th) day after the date that the Notice of Claim was sent (the "**Review Period**") in which to review the Notice of Claim provided by the Purchasers and to request reasonable additional information from the Purchasers regarding the Claim.
- (B) The Vendors will have until the end of the Review Period ("**Expiry Time**") to deliver a notice to the Escrow Agent (with a copy delivered to the Purchasers) disputing such Claim (a "**Rejection Notice**"). If the Escrow Agent does not receive a Rejection Notice by the Expiry Time, the Escrow Agent shall promptly (and, in any event, by the end of the fifteenth (15th) day after the end of the Review Period) release from the Holdback Amount, by wire transfer of immediately available funds to the bank account of the Purchasers or its designee set forth in Schedule "B", the dollar amount of the Claim as set forth in the applicable Notice of Claim.
- (C) If a Rejection Notice is delivered to Escrow Agent with respect to a Claim by the Expiry Time, then the Escrow Agent shall make payment with respect to an applicable Notice of Claim only:
 - (1) in accordance with a joint direction of the Vendors and Purchasers, on the third Business Day immediately following the Escrow Agent's receipt thereof; or
 - (2) in accordance with final and non-appealable award issued by a court of competent jurisdiction, and an accompanying instruction from counsel for the Purchasers (with a copy to the Vendors) certifying that such award is final and non-appealable along with instructions from the Purchasers directing payment with respect thereto, by the end of the fifth Business Day after the Escrow Agent's receipt thereof.

For greater certainty, all or any portion of the Claim, as applicable, will be considered an "**Unresolved Claim**" from the time a Notice of Claim is given in respect of such claim, until such Claim is paid, withdrawn by the Purchasers in writing or the Vendors have obtained a final and non-appealable award issued by a court of competent jurisdiction denying the Purchasers' right to such claim with an accompanying instruction from counsel for Vendors certifying that such award is final and non-appealable (with a copy to the Purchasers). For the purposes of this Agreement, "**Total Claims**" means the aggregate amount of all Claims paid and the aggregate amount of all Unresolved Claims calculated at any applicable release time.

- (D) If any Rejection Notice includes an objection to only a portion of a Claim, the Escrow Agent shall promptly (and, in any event, by the end of the fifteenth (15th) day after the end of the Review Period) release out of the Holdback Amount by wire transfer of immediately available funds to the bank account of the Purchasers

or its designee set forth in Schedule "B", an amount equal to the portion of the Claim set forth in the Notice of Claim for which there is no objection.

- (vii) On the Business Day after the 12-month anniversary of the date hereof (the "**Escrow Termination Date**"), the Escrow Agent shall release and deliver to the Vendors, by wire transfer of immediately available funds the balance of the Holdback Amount (together with any interest thereon) less an amount reserved for payment of Unresolved Claims pursuant to Article 10 of the Purchase Agreement, equal to the aggregate amounts set forth in any written notice related thereto.
 - (viii) Following the Escrow Termination Date, the Escrow Agent shall release and distribute the amount of such Unresolved Claims together with any interest thereon, if any, in accordance with Section 3.3(a)(vi)(C)(1), provided that to the extent that any Unresolved Claims are, subsequent to the Escrow Termination Date, resolved only partially in favour of the Purchaser, or entirely in favour of the Vendors, the Escrow Agent shall upon such resolution, release and distribute the amount of such Unresolved Claim that was not paid to the Purchasers to the Vendors.
- (b) In the event of a dispute between the Vendors and the Purchasers regarding whether or not the Holdback Amount should be, totally or partially, released as contemplated herein, then either the Vendors (on the one hand) or the Purchasers (on the other hand) may provide written instructions to the Escrow Agent (with a copy to the other) instructing the Escrow Agent to pay and deliver into the Ontario Superior Court of Justice (the "**Court**") and the Escrow Agent shall, in accordance with such instruction, pay and deliver the Holdback Amount and accrued interest thereon into the Court to be held pending resolution of such dispute and, upon doing so, the Escrow Agent shall be released and discharged from all claims and liabilities related to the Holdback Amount, and any interest thereon, and the Escrow Agent shall not be subject to any claims made by or on behalf of any party hereto except claims relating to gross negligence or wilful misconduct of the Escrow Agent.

ARTICLE 4 ESCROW AGENT

4.1 Further Documents

The Escrow Agent may (but is not obligated to) request the Vendors, the Purchasers or any of them to deliver such certificates and other documents as may be required to give effect to the release of the Holdback Amount or the interest earned thereon.

4.2 Rights and Duties of Escrow Agent

The acceptance by the Escrow Agent of its duties under this Agreement is subject to the following terms and conditions, which shall govern and control the rights, duties, liabilities and immunities of the Escrow Agent.

- (a) Investments. The Escrow Agent shall not be required to invest the Holdback Amount, except as set forth in Section 3.2.
- (b) Reliance Upon Instructions. The Escrow Agent shall be protected in acting upon any written notice, direction, certificate, confirmation, request, waiver, consent, receipt, statutory declaration or other paper or documents furnished to it and signed by any Person required or entitled to execute and deliver to the Escrow Agent any such document in connection with any action to be taken by the Escrow Agent hereunder. Furthermore, the Escrow Agent shall not be required to make any determination or decision with respect to compliance by any party hereto with the terms of the Purchase Agreement, including with respect to Section 3.5 and Section 9.5 thereof, or to the validity of any claim made by any party hereto, or of any denial thereof, but shall be entitled to act and rely conclusively on the terms hereof and on the written instructions and directions of the Vendors and/or the Purchasers tendered to it in accordance with the terms hereof (and, for greater certainty, the Vendors shall be responsible, and the Purchasers shall be responsible, and the Escrow Agent shall not have responsibility whatsoever, for ensuring that such written instructions comply with the terms of the Purchase Agreement, including with respect to Section 3.5 and Section 9.5 thereof).
- (c) Dispute. Notwithstanding anything herein or in any other agreement or instrument expressed or implied to the contrary, if at any time the Escrow Agent in its sole discretion believes that there is a *bona fide* question, confusion or dispute in respect of or as to any of the following:
 - (i) the holding or disbursement of the Holdback Amount, or any portion thereof;
 - (ii) the duties of the Escrow Agent under this Agreement; or
 - (iii) the validity, enforceability, extent of enforceability or meaning of any provision of this Agreement touching upon or pertaining to the function or duties of the Escrow Agent,

then the Escrow Agent may in its sole discretion, and notwithstanding any notices or demands received by the Escrow Agent from any of the other parties hereto or any other Person, deposit the Holdback Amount with the Court in accordance with the Ontario Rules of Civil Procedure regarding interpleader or in such other manner or on such other grounds as the Court may direct; provided that this Agreement may not be varied, amended or terminated except by mutual consent of the Vendors and the Purchasers. Upon making such deposit, and following the filing of its court materials relative to its court proceeding for interpleader, the Escrow Agent shall be released from all liability under the terms of this Agreement and shall be entitled to recover from such parties to the dispute, in such manner as may be determined by the Court, the Escrow Agent's reasonable fees and related costs and expenses incurred in connection with such court proceeding.

(d) Exoneration of Liability.

- (i) The Escrow Agent shall not be liable for any action taken or omitted to be taken by it in good faith and in the exercise of its reasonable judgment and any act done or omitted by it pursuant to the advice of any legal counsel it may employ shall be conclusive evidence of such good faith. The Escrow Agent may at any time consult with independent legal counsel of its own choice in any such matters, shall have full and complete authorization and protection from any action taken or omitted by it hereunder in accordance with the advice of such legal counsel, and shall incur no liability for any delay reasonably required to obtain the advice of any such legal counsel.
- (ii) The Vendors and the Purchasers shall jointly and severally indemnify and hold harmless the Escrow Agent and its officers, directors, shareholders, employees and agents (the "**Escrow Agent Indemnified Parties**") from and against any and all losses, liabilities, claims, actions, taxes, costs, demands, damages and expenses, including reasonable attorneys' fees and disbursements, incurred or sustained by the Escrow Agent in respect of any matter or thing done by it under, pursuant to, or in connection with this Agreement or otherwise arising in connection with its office of Escrow Agent hereunder, including the legal costs and expenses of defending itself against any claim or liability in connection with its performance hereunder, except in so far as the same arose through: (A) the gross negligence or wilful misconduct of an Escrow Agent Indemnified Party; or (B) the intentional breach by any Escrow Agent Indemnified Party of this Agreement. Without limiting the foregoing, the Escrow Agent shall in no event be liable in connection with its investment or reinvestment of any cash held by it hereunder in good faith, in accordance with the terms hereof, or as a result of any liquidation of any such investment prior to its maturity, including any liability for any delays (not resulting from its gross negligence or wilful misconduct) in the investment or reinvestment of the Holdback Amount and interest earned thereon, or any loss of interest incidental to any such delays or for the failure of the parties hereto to give the Escrow Agent any instructions to invest or reinvest the Holdback Amount or interest thereon.
- (iii) In no event shall the Escrow Agent, be liable for special, indirect or consequential loss or damage of any kind whatsoever (including lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. This indemnity shall survive the termination or discharge of this Agreement or the resignation of the Escrow Agent.
- (iv) The Escrow Agent shall not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of the Escrow Agent (including any act or provision of any present or future law or regulation or governmental authority, any act of God or war, or the unavailability of any wire or communication facility).

- (v) Any measures taken by any court or authority having jurisdiction over the Escrow Agent which might prevent the Escrow Agent from executing its obligations under this Agreement shall exempt the Escrow Agent from performing its obligations hereunder in due time or at all so long as such measures are in effect.
 - (i) The Escrow Agent shall be under no obligation to institute, appear in or defend any action, suit or legal or arbitration proceeding in connection with this Agreement or to take any other action likely to involve it in liability, cost or expense, unless first indemnified to its satisfaction.
 - (i) The Escrow Agent shall not be liable for or by reason of any statements of fact or recitals in this Agreement and all such statements and recitals are and shall be deemed to be made by the other parties to this Agreement
- (e) Limitation of Responsibility. The Escrow Agent shall have no duty to know or determine the performance or non-performance of any provision of this Agreement or any other agreement except as expressly required or contemplated in the performance by the Escrow Agent of its duties and responsibilities under this Agreement. The Escrow Agent shall not be required to give security for its conduct and the duties and responsibilities of the Escrow Agent are limited to those expressly stated herein. The provisions of this Section 4.2(e) are not intended to and shall not restrict or remove any other rights which the Escrow Agent may have at law or in equity to seek relief or direction from the Court in addition to those expressly set forth herein. Except as otherwise expressly provided herein, the Escrow Agent is hereby authorized to disregard any and all notices or warning, other than written notices given by any of the other parties hereto, and is hereby expressly authorized to comply with and obey any and all processes, orders, judgments or decrees of any court and shall not be liable to any of the other parties hereto for such compliance. The Escrow Agent shall be under no duty or obligation to ascertain the identity, authority, or rights of the parties hereto (or their agents) executing or delivering or purporting to execute or deliver this Agreement, or any directions, instruments, documents or papers related hereto.
- (f) Payment of Fees and Disbursements of Escrow Agent. The Escrow Agent shall be entitled to be paid its usual fees for the performance of its duties hereunder as set forth in Schedule "C", and to be reimbursed for any disbursements incurred by it in connection with the performance of its duties hereunder. Such fees and disbursements shall be borne and paid as to 50% by the Purchasers on the Closing Date and as to 50% by the Vendors on the Closing Date, and if the Escrow Agent's fees are not paid within two (2) Business Days following the Closing Date, then the Escrow Agent is authorized to deduct their fees from the Escrow Funds.
- (g) Property of the Escrow Agent. If any property or part thereof held by the Escrow Agent hereunder shall be attached, garnisheed or levied upon under any order of a court or the delivery thereof shall be stayed or enjoined by any order of any court or any other writ, order, final judgement or decree shall be made or entered by any court affecting such property or any part thereof, then the Escrow Agent is

hereby expressly authorized in its sole discretion to obey and comply with all writs, orders, final judgements or decrees so entered or issued and if the Escrow Agent obeys and complies with any such writ, order, final judgement or decree, the Escrow Agent shall not be liable to any of the other parties hereto, their respective heirs, executors, legal representatives, successors or assigns or to any other Person by reason of such compliance.

4.3 Replacement of Escrow Agent

The Escrow Agent may resign and be discharged from all further duties and liabilities hereunder by giving to the other parties hereto thirty (30) days' prior written notice. In the event of the Escrow Agent so resigning, a replacement escrow agent shall be appointed by the other parties hereto jointly and, failing such appointment, the retiring Escrow Agent may apply to a Justice of the Court, on such notice as such Justice may direct, for the appointment of a new escrow agent. The Purchasers and the Vendors may at any time on thirty (30) days' prior written notice, signed jointly by the Purchasers and the Vendors, remove the Escrow Agent and appoint a replacement for the Escrow Agent. Any escrow agent appointed in accordance with this Section 4.3 shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as escrow agent, without any further assurance, conveyance, act or deed, and the expression "Escrow Agent" herein shall include such replacement escrow agent. If, on the effective date of the resignation or removal of the Escrow Agent, the Escrow Agent continues to hold all or part of the Holdback Amount, and if the Purchasers and the Vendors have not designated a replacement for the Escrow Agent by such effective date, then the Escrow Agent shall be permitted to deposit all but not less than all of the Holdback Amount together with all accrued interest thereon (less any fee or penalty for redemption or withdrawal of the Holdback Amount or part thereof that may be invested in accordance with this Agreement) then held by it into the custody of any court of competent jurisdiction. The acceptance of such Amount by such court shall discharge the Escrow Agent from its obligations under this Agreement. The terms of this Agreement shall continue to apply to the Holdback Amount as held by such court. The Escrow Agent shall be entitled to retain or receive its compensation earned prior to the effective date of such resignation or removal. In the event of the appointment of a replacement for the Escrow Agent under this Agreement, the predecessor Escrow Agent shall transfer the Holdback Amount and all interest thereon, less the Tax Amount previously paid, if any, together with other material in the possession of the Escrow Agent relating to the administration of this Agreement which would be necessary or useful to the successor Escrow Agent, to the replacement for the Escrow Agent duly appointed and, upon acknowledgement by any replacement for the Escrow Agent of receipt of the then remaining balance of the Holdback Amount and all interest thereon, less the Tax Amount previously paid, if any, the then acting Escrow Agent shall thereupon be released from any further duties under this Agreement.

4.4 Payments by the Escrow Agent

Payments by the Escrow Agent hereunder shall be made by wire transfer of funds, net of any bank charges incurred by it for such wire transfer.

**ARTICLE 5
TERMINATION**

5.1 Termination of this Agreement

- (a) Other than the provisions of this Agreement relating to the protection of the Escrow Agent, this Agreement may be terminated at any time by and upon the receipt by the Escrow Agent of written notice of termination by the Vendors and the Purchasers, which notice of termination will be accompanied by a joint direction by the Vendors and the Purchasers to the Escrow Agent which shall set out the particulars of the Person to whom the Holdback Amount and all interest thereon, less the Tax Amount previously paid, if any, is to be delivered.
- (b) This Agreement shall terminate and cease to be of any further force and effect (except for the provisions of this Agreement relating to protection of the Escrow Agent which shall survive any termination of this Agreement or the resignation, replacement or removal of the Escrow Agent) on the date on which the Escrow Agent shall have released all of the Holdback Amount and interest thereon in accordance with the provisions of this Agreement. Upon termination, the Escrow Agent shall be released from all obligations under the Agreement arising on and after such date.

**ARTICLE 6
MISCELLANEOUS**

6.1 Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement (in this Section 6.1 referred to as a "**Notice**") shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by facsimile or e-mail:

- (a) in the case of a Notice to the Vendors:

195 Joseph Street,
Kitchener, Ontario
N2G 1J6

E-mail: chris.emmott@hilcocapital.com and
matthew.holt@hilcocapital.com

with a copy to:

Cassels Brock & Blackwell LLP
Suite 2100, 40 King Street West,
Toronto, Ontario
M5H 3C2

E-mail: lellis@casselsbrock.com
Attention: Larry Ellis

(b) in the case of a Notice to the Purchasers at:

Q.E.P. Co., Inc.
Suite A, 1001 Broken Sound Parkway, NW
Boca Raton, Florida 33487

E-mail: hschulman@qep.com
Attention: Harry Schulman, CEO

with a copy to:

Holland & Knight LLP
701 Brickell Avenue, Suite 3300
Miami, Florida USA 33131

E-mail: danielle.price@hkllaw.com
Attention: Danielle Price

and with a copy to:

Bennett Jones LLP
1 First Canadian Place
PO Box 150, Suite 3400
100 King Street West
Toronto, ON M5X 1A4

E-mail: cunninghamc@bennettjones.com
 michaeli@bennettjones.com
Attention: Carl Cunningham
 Ian Michael

(c) in the case of a Notice to the Escrow Agent at:

Deloitte Restructuring Inc., in its capacity as court-appointed Monitor of the Kraus
Group
8 Adelaide St. West
Toronto, Ontario
M5H0A9

Attention: Paul Casey, Senior Vice-President
E-mail: paucasey@deloitte.ca

and with a copy to:

Miller Thomson LLP
40 King Street West, Suite 5800
Toronto, Ontario,
M5H 3S1

Attention: Gregory R. Azeff
 Stephanie De Caria

E-mail: gazeff@millerthomson.com
sdecaria@millerthomson.com

Any Notice delivered or transmitted to a party hereto as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. EST. However, if the Notice is delivered or transmitted after 5:00 p.m. EST or if such day is not a Business Day then the Notice shall be deemed to have been given and received on the next Business Day. The parties hereto agree to provide documentation to the Escrow Agent verifying the time and date that any Notice was sent. The parties hereto acknowledge and agree that any direction in this Agreement for the Escrow Agent to release funds by a particular date may take longer than the allotted time as a result of the time/process to convert the Holdback Amount into cash and in such case the Escrow Agent will initiate this process by the stated deadline and promptly update the parties hereto on the progress.

Any party hereto may, from time to time, change its address by giving Notice to the other parties hereto in accordance with the provisions of this Section 6.1.

6.2 Conflict with Purchase Agreement

This Agreement has been entered into in furtherance of the Purchase Agreement. However, in the event of a conflict between this Agreement and the Purchase Agreement, this Agreement shall govern.

6.3 Anti-Money Laundering

- (a) Each of the Purchasers and the Vendors hereby represent to the Escrow Agent that any account to be opened by, or interest to be held by, the Escrow Agent in connection with this Agreement, for or to the credit of such party hereto, either:
 - (i) is not intended to be used by or on behalf of any third party; or
 - (ii) is intended to be used by or on behalf of a third party, in which case such party hereto agrees to complete and execute forthwith a declaration in the Escrow Agent's prescribed form as to the particulars of such third party.
- (b) The Escrow Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Escrow Agent, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline or any applicable anti-money laundering policy or standards or any applicable internal anti-money laundering policy or standards. Further, should the Escrow Agent, in its sole judgment, determine at any time that its acting under this Agreement has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on ten (10) days' written notice to the other parties hereto, provided: (i) that the Escrow Agent's written notice shall describe the circumstances of such non-compliance, subject to prohibitions against such disclosure under applicable law; and (ii) that if such circumstances are capable of rectification and are rectified to the Escrow Agent's

satisfaction within such ten (10) day period, then such resignation shall not be effective.

6.4 No Agency

The Purchasers and the Vendors acknowledge that the Escrow Agent is acting solely as depositary at their request and for their convenience and, notwithstanding anything to the contrary herein contained, no term or provision of this Agreement is intended to create, nor shall any such term or provision be deemed to have created, any principal, agency, trust, joint venture or partnership relationship between or among the Escrow Agent and the other parties hereto. The Escrow Agent is acting under this Agreement as an independent contractor only and shall be considered an independent contractor with respect to the other parties hereto.

6.5 Assignment

Subject to Section 4.3, no party hereto may assign this Agreement or any rights or obligations under this Agreement without the prior written consent of each of the other parties hereto.

6.6 Enurement

This Agreement enures to the benefit of and is binding upon the parties hereto and their respective heirs, executors, successors (including any successor by reason of amalgamation of any party hereto) and permitted assigns, as applicable.

6.7 Amendment

No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any party hereto, is binding unless executed in writing by the party hereto to be bound thereby.

6.8 Further Assurances

The parties hereto shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each party hereto shall provide such further documents or instruments required by any other party hereto as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions.

6.9 Execution and Delivery

This Agreement may be executed by the parties hereto in counterparts and may be executed and delivered by electronic means and all such counterparts and electronic deliveries together constitute one and the same agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

KRAUS CANADA LP
by its General Partner
Kraus Canada Ltd.

By: _____
Name:
Title:

KRAUS PROPERTIES LP
by its General Partner
Kraus Properties Inc.

By: _____
Name:
Title:

KRAUS CARPET LP
by its General Partner
Kraus Carpet Inc.

By: _____
Name:
Title:

KRAUS USA INC.

By:

Name:

Title:

Q.E.P. CO., INC.

By:

Name:

Title:

ROBERTS COMPANY CANADA LIMITED

By:

Name:

Title:

**DELOITTE RESTRUCTURING INC., solely
in its capacity as court-appointed Monitor
of the Kraus Group and not in its
personal capacity**

By:

Name: Paul Casey

Title: Senior Vice-President

[Signature Page to Escrow Agreement]

Schedule "A"

Purchase Agreement

(attached)

Schedule "B"

Wire Instructions

For the purposes of payment of escrow funds to (on behalf of the Vendors):

Beneficiary:

Address:

Bank:

Swift Code:

Transit #:

Bank ID #:

Account #:

For the purposes of payment of escrow funds to (on behalf of the Purchasers):

Beneficiary:

Address:

Bank:

Swift Code:

Transit #:

Bank ID #:

Account #:

Schedule "C"

Escrow Agent Fees

Fees for the performance of the Escrow Agent's duties not to exceed \$10,000 CDN.

SCHEDULE "D"

DIRECTION

To: Deloitte Restructuring Inc., in its capacity of as court-appointed Monitor of the Kraus Group pursuant to the Order of the Honourable Mr. Justice Penny dated September 11, 2018 (the "Escrow Agent")

Re: Escrow Agreement among Kraus Canada LP, Kraus Properties LP, Kraus Carpet LP, Kraus USA Inc. Q.E.P. Co., Inc., Roberts Company Canada Limited and the Escrow Agent dated September 10, 2018 (the "Agreement")

In accordance with Section **[insert applicable section]** of the Agreement, the undersigned hereby authorize and direct you, to release \$_____ of the Holdback Amount to _____ in accordance with the following delivery instructions:

The foregoing direction is irrevocable and shall constitute your good and sufficient authority for making such payments as directed above.

All capitalized terms undefined herein have the meanings given to them in the Agreement.

DATED this ____ day of _____, 20____.

[INSERT APPLICABLE SIGNATORIES]

Per: _____

Name:

Title:

SCHEDULE "E"

NOTICE OF CLAIM

To: Deloitte Restructuring Inc., in its capacity of as court-appointed Monitor of the Kraus Group pursuant to the Order of the Honourable Mr. Justice Penny dated September 11, 2018 (the "Escrow Agent")

Re: Escrow Agreement among Kraus Canada LP, Kraus Properties LP, Kraus Carpet LP, Kraus USA Inc. Q.E.P. Co., Inc., Roberts Company Canada Limited and the Escrow Agent dated September 10, 2018 (the "Agreement")

The undersigned in accordance with Section 3.3(a)(v) of the Agreement provides the Escrow Agent with this Notice of Claim for a Claim in the amount of \$_____ and the following are the details of this Notice of Claim:

All capitalized terms undefined herein have the meanings given to them in the Agreement.

DATED this ____ day of _____, 20____.

Q.E.P. CO., INC.

By:

Name:

Title:

ROBERTS COMPANY CANADA LIMITED

By:

Name:

Title:

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF KRAUS BRANDS INC., KRAUS CANADA LTD., KRAUS CARPET INC.,
KRAUS PROPERTIES INC., KRAUS USA INC., and STRUDEX INC.

Court File No.: CV-18-604759-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced in Toronto

APPROVAL AND VESTING ORDER
(PURCHASE AGREEMENT)

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